

Lorenz Dominance and the Variance of Logarithms*

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Abstract

The variance of logarithms is a widely used inequality measure which is well known to disagree with the Lorenz criterion. Up to now, the extent and likelihood of this inconsistency were thought to be vanishingly small. We find that this view is mistaken: The extent of the disagreement can be extremely large; the likelihood is far from negligible. Implications of our findings for empirical work are also discussed.

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